

Message Text

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47

ACTION AF-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGR-05 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-04 CEA-01 /106 W

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P 031012Z AUG 76

FM AMEMBASSY ACCRA

TO SECSTATE WASHDC PRIORITY 3719

INFO AMEMBASSY ABIDJAN

AMEMBASSY ADDIS ABABA

AMEMBASSY COTONOU

AMEMBASSY DAKAR

AMEMBASSY FREETOWN

AMEMBASSY KINSHASA

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY LONDON

AMEMBASSY MONROVIA

AMEMBASSY NAIROBI

AMEMBASSY OUAGADOUGOU

AMEMBASSY PARIS

USEC BRUSSELS 169

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

C O N F I D E N T I A L ACCRA 5658

DEPT ALSO PASS DIA; LAGOS ALSO FOR AGATT

E.O. 11652: GDS

TAGS: EALR ECON GH

SUBJECT: GHANA'S FY 76-77 BUDGET; COMMENTS

REF: (A) ACCRA 5657 (B) 75 ACCRA 4773(NOTAL); (C) 75 ACCRA

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4774(NOTAL)

1. SUMMARY. GOG BUDGET FOR FY BEGINNING JULY 1, 1976 (REFTEL A) PROPERLY RECOGNIZES INFLATION AS MAJOR PROBLEM, BUT DOES LITTLE TO ATTACK IT. SINCE REVENUES LIKELY OVERSTATED AND EXPENDITURES UNDERSTATED, AS USUAL, BUDGET ITSELF WILL ADD TO INFLATION, ALREADY RUNNING AT WELL OVER 50 PCT. ANNUALLY. THERE WAS PUBLIC SIGH OF RELIEF WHEN BUDGET NOT NEARLY AS DRACONIAN AS EXPECTED, BUT ON OTHER HAND MANY CONSIDER THIS INTERIM DOCUMENT WITH MORE BAD NEWS TO COME. GOG APPARENTLY MAKING HEAVY EFFORT PRICE MOTORISTS OUT OF PREMIUM GASOLINE. POWERS THAT BE SEEMED TO TAKE WHAT IT CONSIDERED TO BE NECESSARY POLITICAL DECISION OF NOT APPEARING TO MAKE THINGS WORSE FOR CONSUMER, WITH VARIOUS SOPS THROWN IN, AT EXPENSE OF ECONOMIC SENSE. END SUMMARY.

2. GOG BUDGET FOR FY 76-77 RECOGNIZES INFLATION AS MAJOR CONCERN, BUT DOES PRECIOUS LITTLE ABOUT IT -- EXCEPT PERHAPS TO ADD TO IT. SINCE, AS USUAL, REVENUES PROBABLY OVERSTATED AND EXPENDITURES UNDERSTATED SIGNIFICANTLY, THE PRINTING PRESSES SHOULD CONTINUE TO ROLL OUT THE CEDIS. EXAMPLE OF REVENUE OVERSTATEMENT IS EXPECTED SIGNIFICANT INCREASE IN GASOLINE TAX REVENUE. IN FACT, LARGE DISPARITY BETWEEN PREMIUM AND REGULAR (ON WHICH TAX UNCHANGED) WILL PROBABLY LEAD TO SHIFT TOWARD REGULAR FROM PRESENT OVERWHELMING PREFERENCE FOR PREMIUM. ESPECIALLY SERIOUS OVERESTIMATE IS COCOA EXPORT DUTY; UNLIKELY RECEIPTS CAN BE AS LARGE AS 1974/75 (WHICH IS PROJECTED LEVEL) SINCE PURCHASE PRICE INCREASES TO PRODUCERS LAST TWO SEASONS WILL COST GOG APPROX. CEDIS 75 MILLION ADDITIONAL; ON OTHER SIDE OF EQUATION LITTLE REASON TO EXPECT INCREASE IN FOREIGN COCOA PRICE, WHICH ALREADY AT HIGH LEVEL.

3. BUDGET MAY HAVE BEEN POPULAR DOCUMENT, IN THAT THE TAX INCREASES IT CALLED FOR WERE LESS THAN GENERALLY EXPECTED, AND IT THREW OUT SOME BONES (LOWERED CAR DUTIES AND TAXES, SLIGHT LOWERING OF INCOME TAXES FOR THOSE AT LOWER END OF SCALE). ON OTHER HAND, A NUMBER OF OBSERVERS HAVE SAID THEY EXPECT THIS IS AN INTERIM DOCUMENT, WITH MORE STRINGENCY TO COME. THIS IS SHEER SPECULATION, HOWEVER, WITH NO HARD FACTS TO GO ON.

4. GOG HAS BEEN UNDER INCREASING ATTACK FOR THE MISERABLE STATE AND DIRECTION OF THE ECONOMY, AND WITH REASON. IT APPEARS THAT IT

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DECIDED THIS BUDGET ON POLITICAL RATHER THAN ECONOMIC GROUNDS; I.E., IT MADE RELATIVELY FEW EXTRA DEMANDS ON THE PUBLIC (THOUGH IT DID RAISE BEER AND CIGARETTE PRICES), HOPING TO KEEP PEOPLE FROM BECOMING MORE DISAFFECTED, RATHER THAN REQUIRING THE REAL AUSTERITY NECESSARY TO TURN THE ECONOMY AROUND.

5. THE LOWERING OF IMPORT TAXES AND DUTIES ON CARS, AND THE CHANGE TO A SIMPLE 10 PCT. IMPORT LICENSE FEE FROM THE FORMER SLIDING

SCALE, WILL SIMPLY MAKE LUXURY IMPORTS WHICH THE COUNTRY CAN
ILL AFFORD CHEAPER.

6. EXPECTED SHORTFALL IN REVENUE AND EXCESS EXPENDITURES RELATIVE TO
PROJECTIONS LIKELY AGAIN TO PRODUCE A DEFICIT ON ORDER 40 PCT.
TOTAL OUTLAYS AS IN 1975/76, WITH DEFICIT ON ORDER CEDIS 675
MILLION IF EXPENDITURES REACH CEDIS 1.68 BILLION AS PROBABLY TO
BE EXPECTED ON BASIS PAST EXPERIENCE (SEE ARTICLE XIV IMF
CONSULTATION REPORT, P.5). LINEHAN

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